Only One Reason to Change the PMB

To Have a Realistic Work Plan

Frances Valore
frances.valore@dau.mil
703/805-3767

Exercise #12

<u>Learning Objectives</u>

ELO 3.3:   CONTRACTOR PROJECT MANAGEMENT AND PMB EXECUTION. Within the context of a contractor's management system, interpret the requirement to maintain baseline integrity and discipline.

ELO 4.1:   THE GOVERNMENT CERTIFIES THAT CONTRACTORS' MANAGEMENT SYSTEMS MEET THE EVMS INDUSTRY STANDARDS. Given a "Significant" contract, explain how the EVMS Industry Standards (EIA-748) relate to contractors' integrated management system policies, procedures, and methods.

Exercise 12. PMB Changes

Step   **Action**

1.   Review slides once using slide show   'view show'

2.   Review slides again, using 'notes pages'

3.   Answer Questions 1-4 on slides # 4 & 5

3a. Post responses in the FORUM

Criteria for Successful Completion

1.   Are answers consistent with slide

PMB CHANGES Questions   Answers in Lessons 12 & 13

1. PMB changes are a programmatic fact of life; therefore: (Lesson 12)

a.   It is necessary to have internal procedures and policies that disallow PMB changes within the first year of the contract.
b.   It is important for the PM to ensure that no changes will occur throughout the life of high risk, critical program contracts.
c.   It is important for effective internal management systems to have procedures to deal with PMB changes.
d.   It is necessary to build a foundation of mutual trust with program contractors and not interfere with their management.

2. The biggest challenge to a contractor program manager is the requirement to maintain: (Lesson 13)

a. PMB integrity, or the integration of work scope, schedule and budget.
b. Schedule horizontal traceability, or track from the work package to the total contract level.
c. Schedule Vertical traceability, or communication among predecessor and successor Control Accounts.
d. The allocation of resources to specifically defined work units**.**

4

PMB CHANGES Questions **(Find EVMS Standards in the LIBRARY)**

3. The contractor includes the following statement in their management system description, "*Reconcile current budgets to prior budgets in terms of changes to the authorized work and internal replanning in the detail needed by management for effective control* " **Identify the Industry Standard supported by this statement. (EVMS Standards)**

   a.   Accounting Considerations
   b.   Organization
   c.   Planning & Budgeting
   d.   Analysis and Management Reports
   e.   Revisions & Data Maintenance

4.   List the five categories of the 32 EVMS Industry Standards:

a. Planning and Scheduling, Organizing and Controlling, Advising and Monitoring, Delegating and Reviewing, Chairing and Voting.
b. Organization, Planning & Budgeting, Accounting Considerations, Analysis and Management Reports, Revisions and Data Maintenance
c. Accounting Considerations, Resource Leveling Actions, Labor Negotiations, Marketing and Selling, Negotiation and Delivering.
d. Analysis and Management Reports, Organizing and Controlling, Planning and Measuring, Documentation and Marketing, Data Maintenance

5.0   Revisions and Data Maintenance

28.   Incorporate authorized changes in a timely manner, recording the effects of such changes in budgets and schedules. In the directed effort prior to negotiation of a change, base such revisions on the amount estimated and budgeted to the program organizations.

29. Reconcile current budgets to prior budgets in terms of changes to the authorized work and internal replanning in the detail needed by management for effective control.

30. Control retroactive changes to records pertaining to work performed that would change previously reported amounts for actual costs, earned value, or budgets. Adjustments should be made only for correction of errors, routine accounting adjustments, effects of customer or management directed changes, or to improve the baseline integrity and accuracy of performance measurement data.

31.   Prevent revisions to the program budget except for authorized changes.

Although there is only one *reason* to change a PMB, there are three *categories or types* of PMB changes.
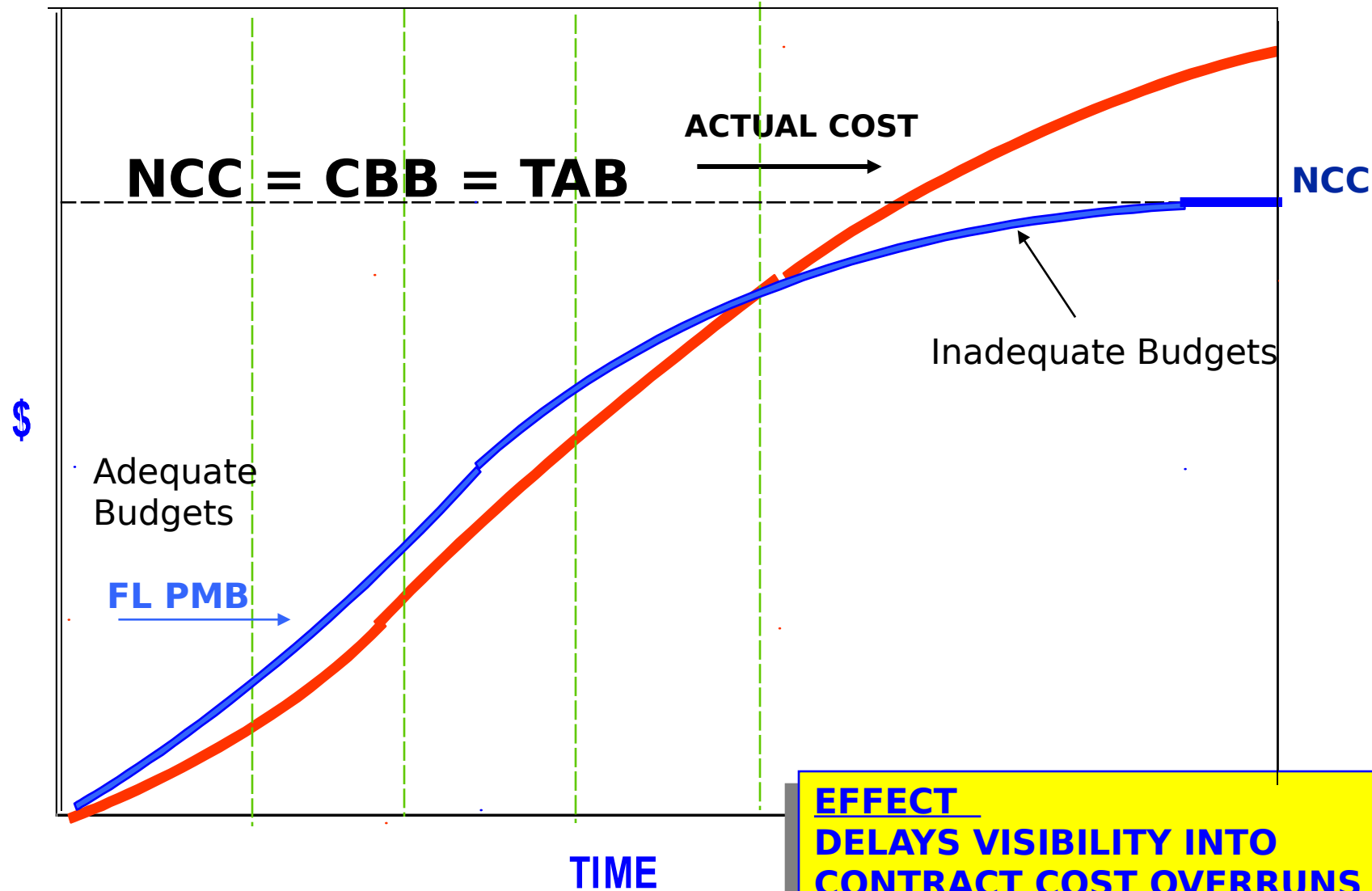
Review the following slides in two ways:

First, review the entire file using the slide show view show.

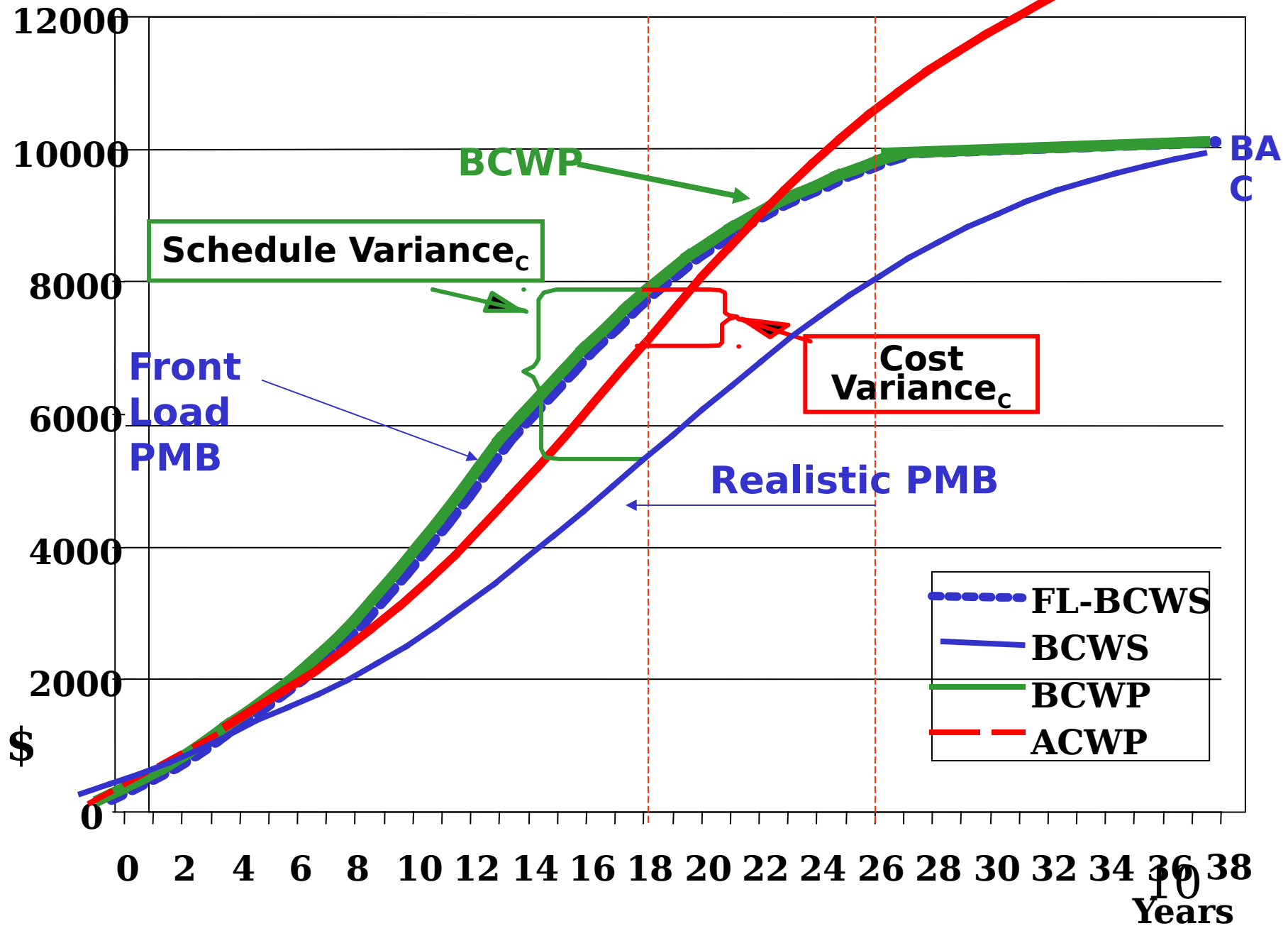**Next, review the entire file using the "Notes" view. (See left hand lower corner Powerpoint tool bar.)**

Types of Baseline Changes

- **Contract Changes**
  - **Authorized and Definitized**
  - **Authorized Not Definitized**
- **Internal Replanning**
  - **Original schedule or individual tasks changed**
  - **Total scope remains same**
- **Formal Reprogramming (Over Target Baseline)**
  - **Remaining budget/schedule unrealistic**
  - **PMB will exceed contract target cost**
  - **No Government approval required; however, would do an OTB only if PM assured of funds**

Front Loaded PMB

$$NCC = CBB = TAB$$

ACTUAL COST

NCC

Inadequate Budgets

$

Adequate
Budgets

FL PMB

TIME

EFFECT
DELAYS VISIBILITY INTO
CONTRACT COST OVERRUNS

Front Loaded Baseline

10
Years

Front Loaded Cost Variance Chart

Legend:
— Cum CV
--- FL Cum CV

11

CONTRACT CHANGES

12

Effect of Contract Changes on PMB

CTC=CBB=TAB

CTC=CBB=TAB

CTC=CBB=TAB

12000

10000

8000

6000

4000

2000

0

$

Months

0 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38

Legend:
TAB
BCWS
BCWS-1
BCWS-2
ACWP

13
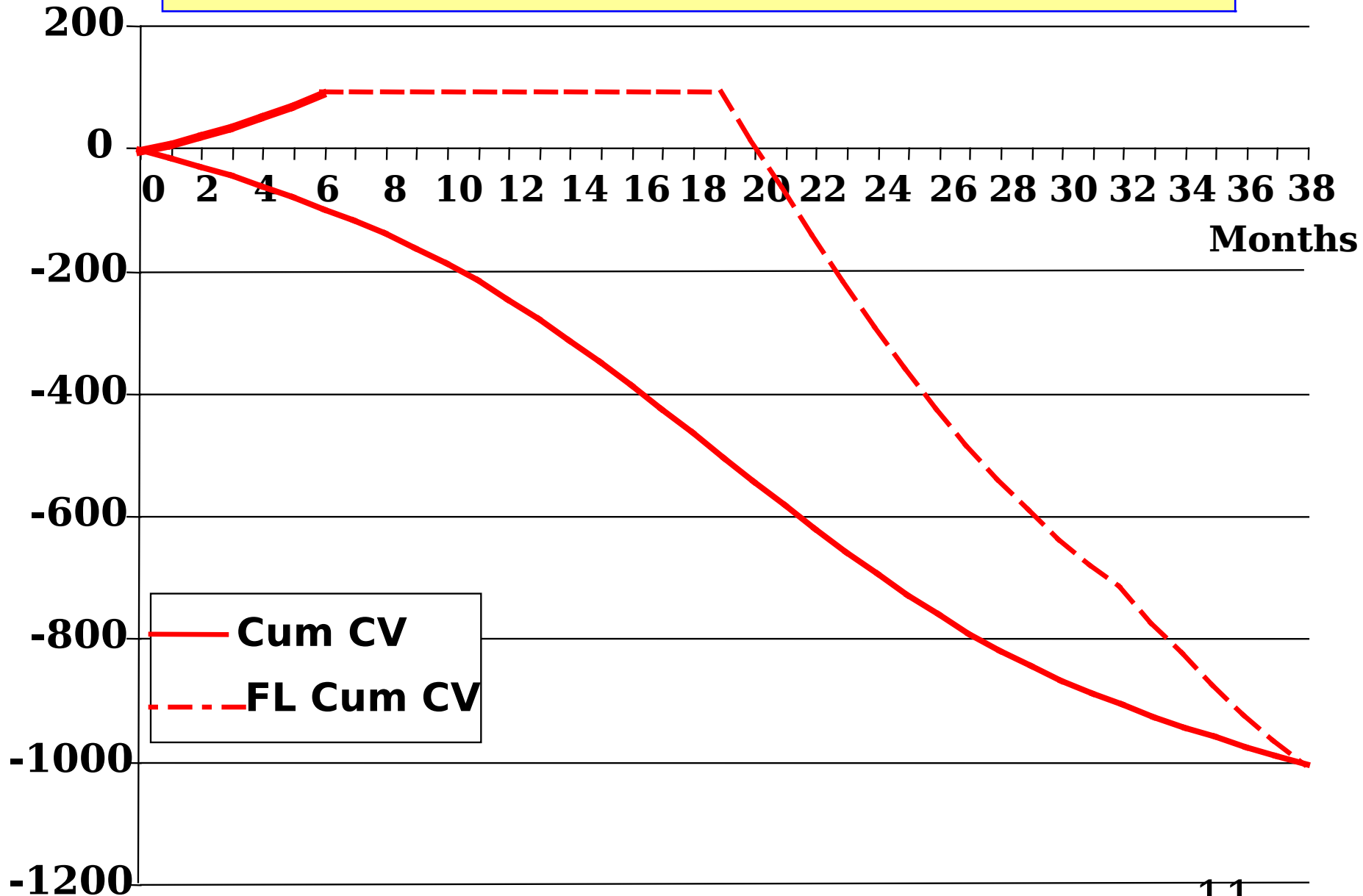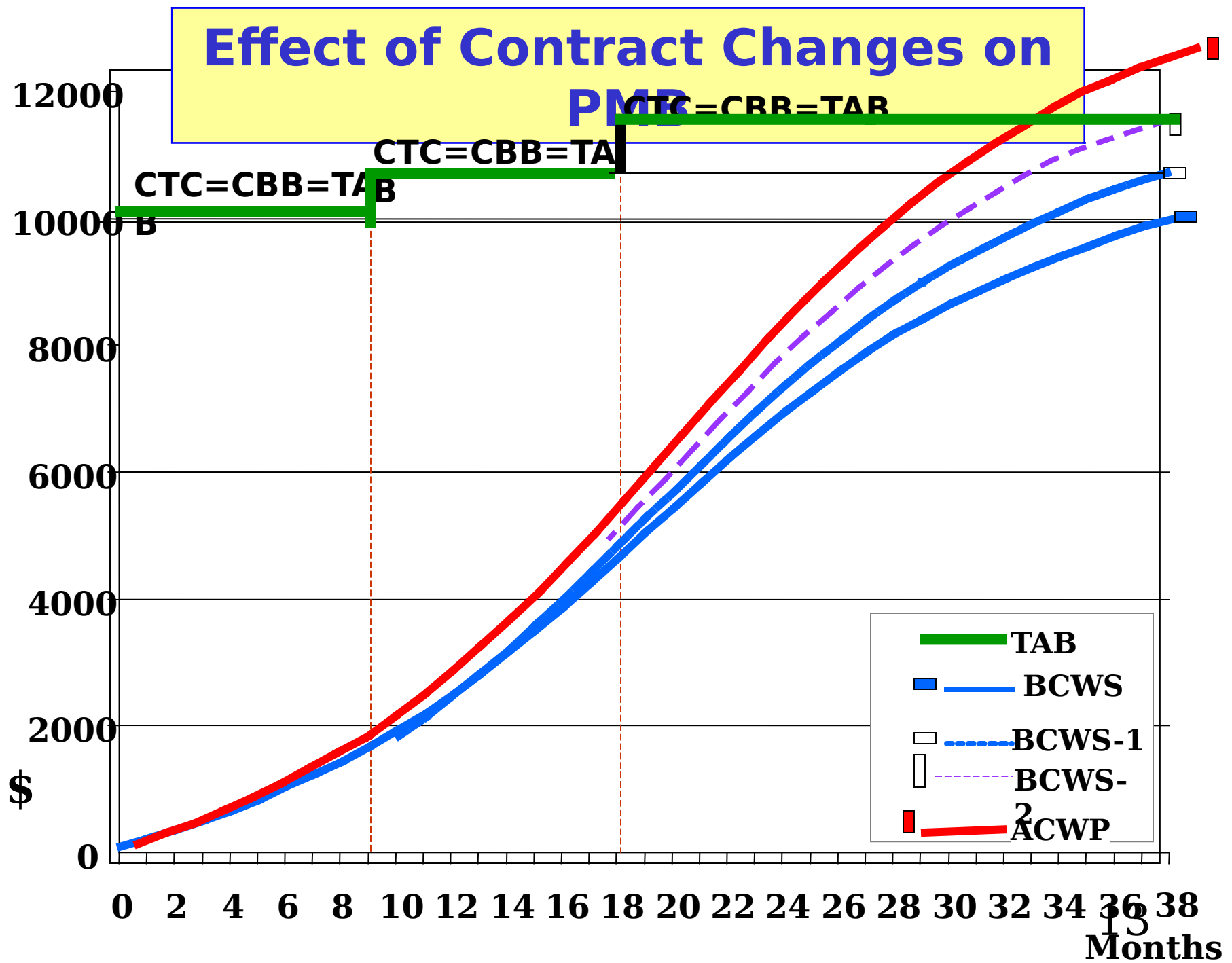
Effect of Authorized Unpriced Contract Changes on PMB
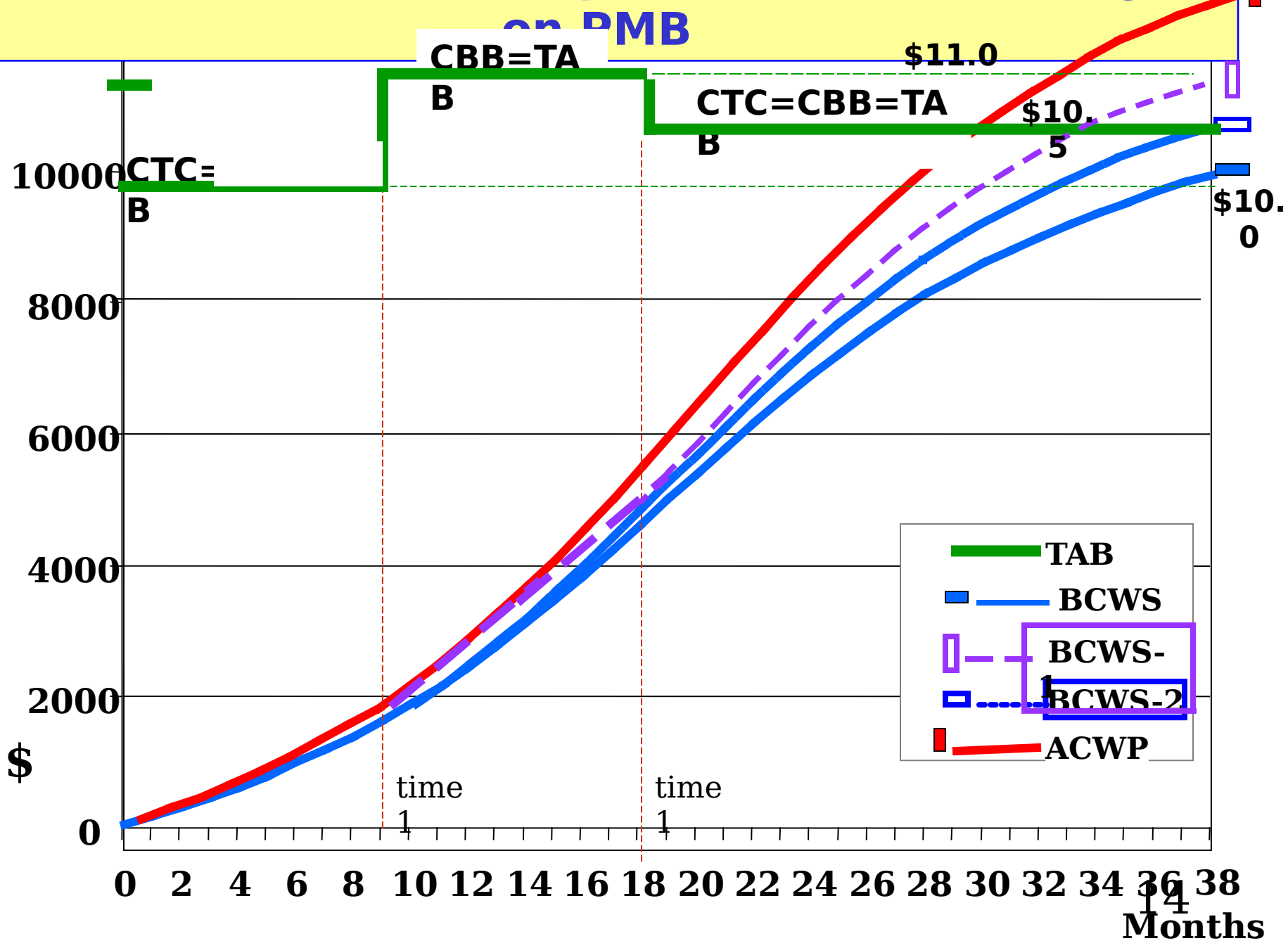
Effect of Contract Changes on CV

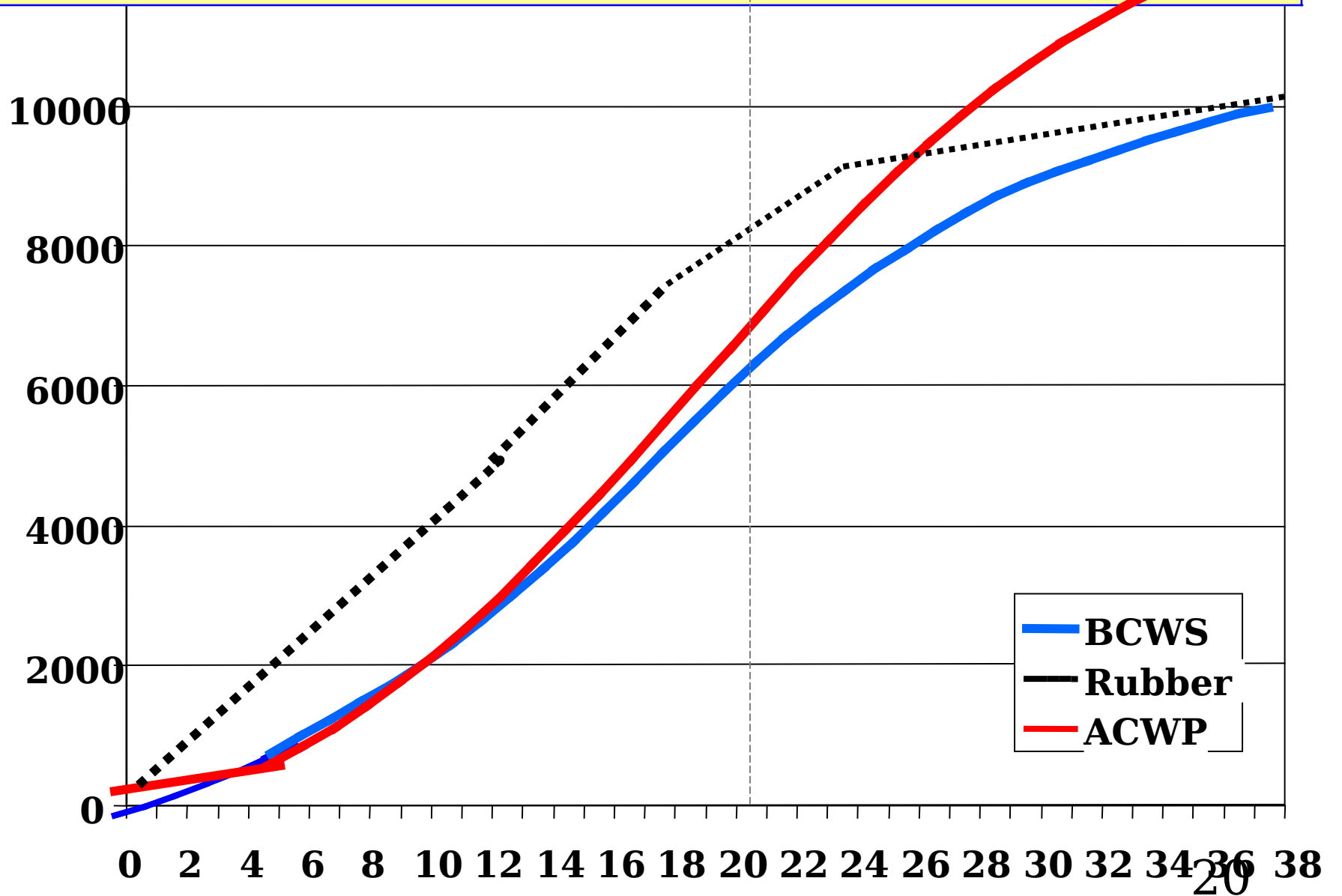15

INTERNAL REPLANNING

16
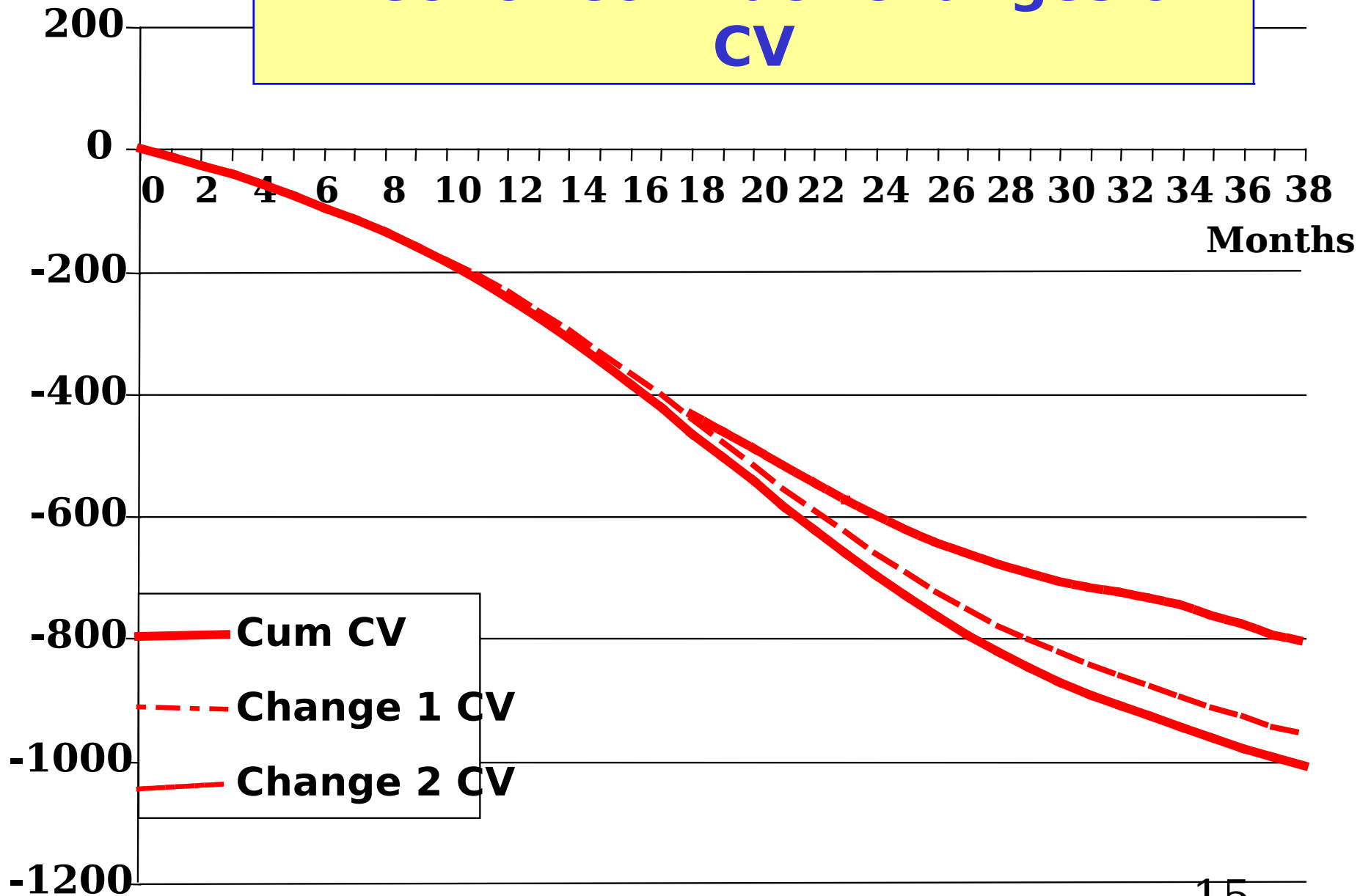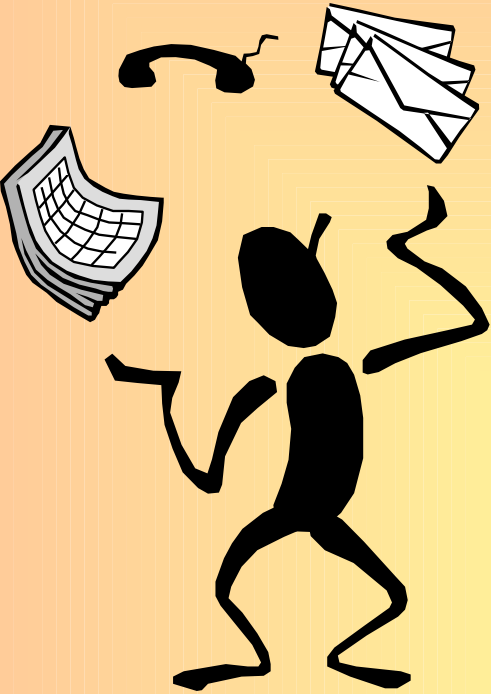
Use of Management Reserve PMB

TAB

MR

Legend:
- TAB
- BCWS
- BCWS-1
- ACWP

$

Months

17

Use of MR Cost Variance Chart

18
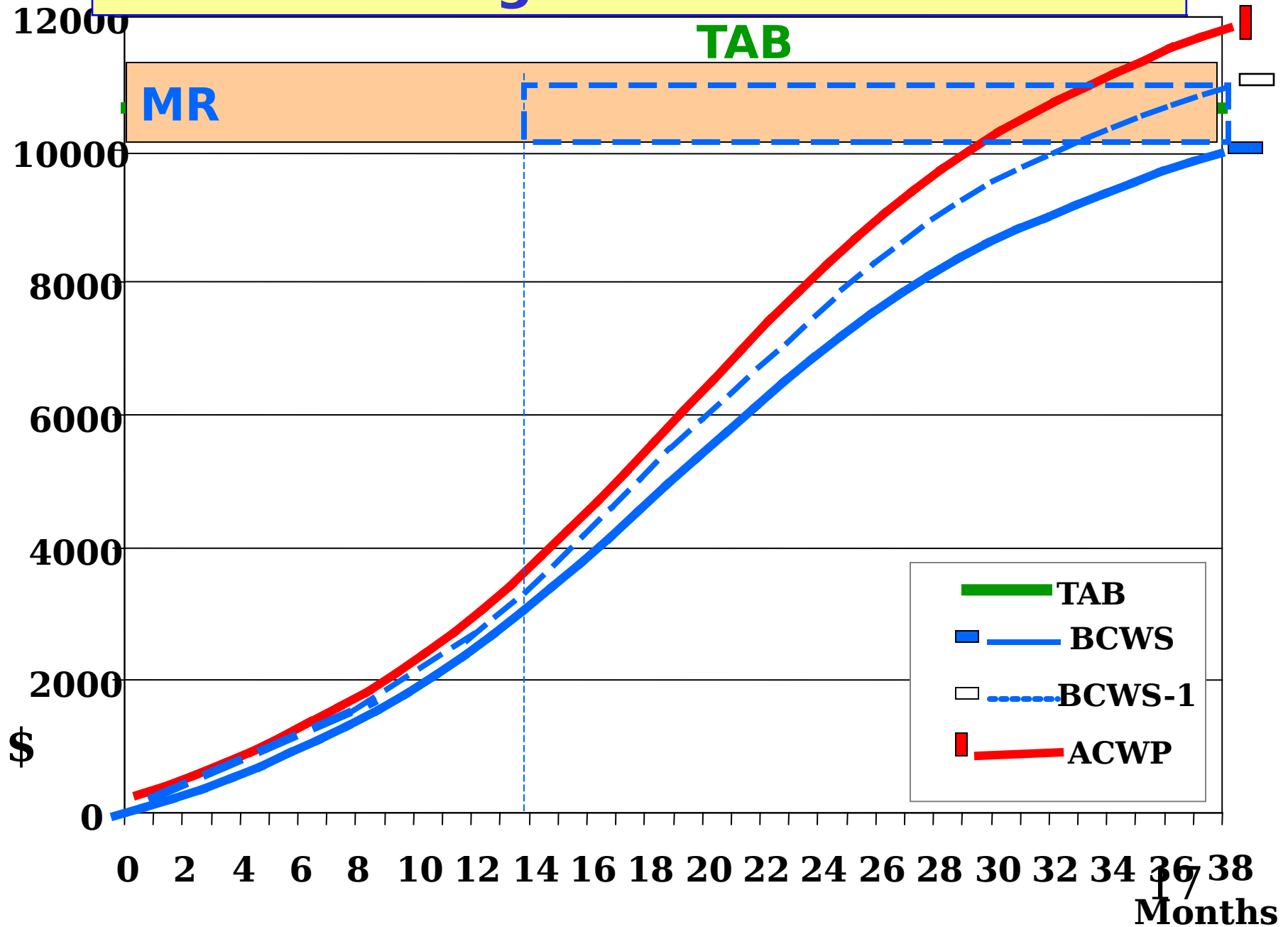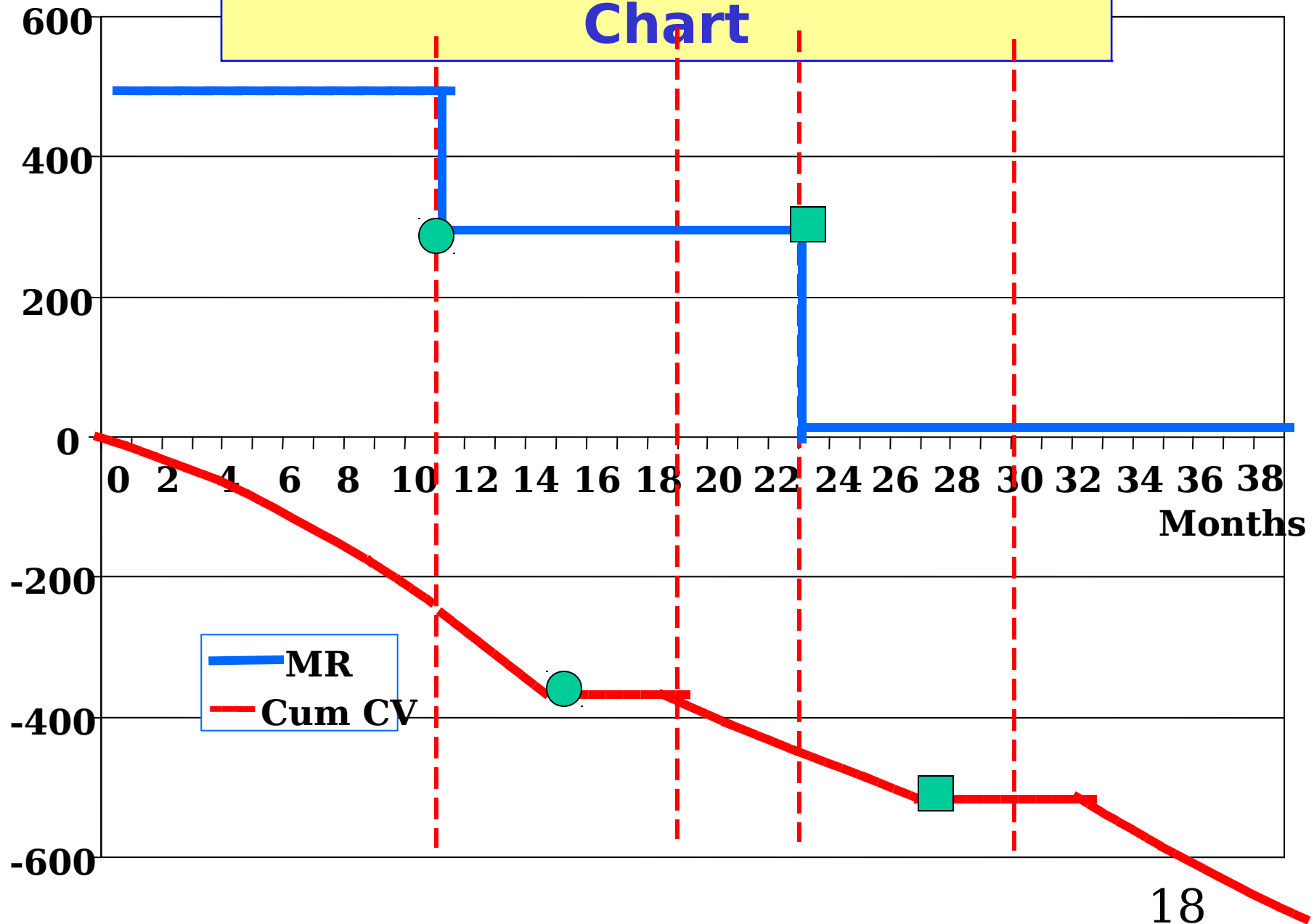
Inappropriate Use of MR Cost Variance Chart

19
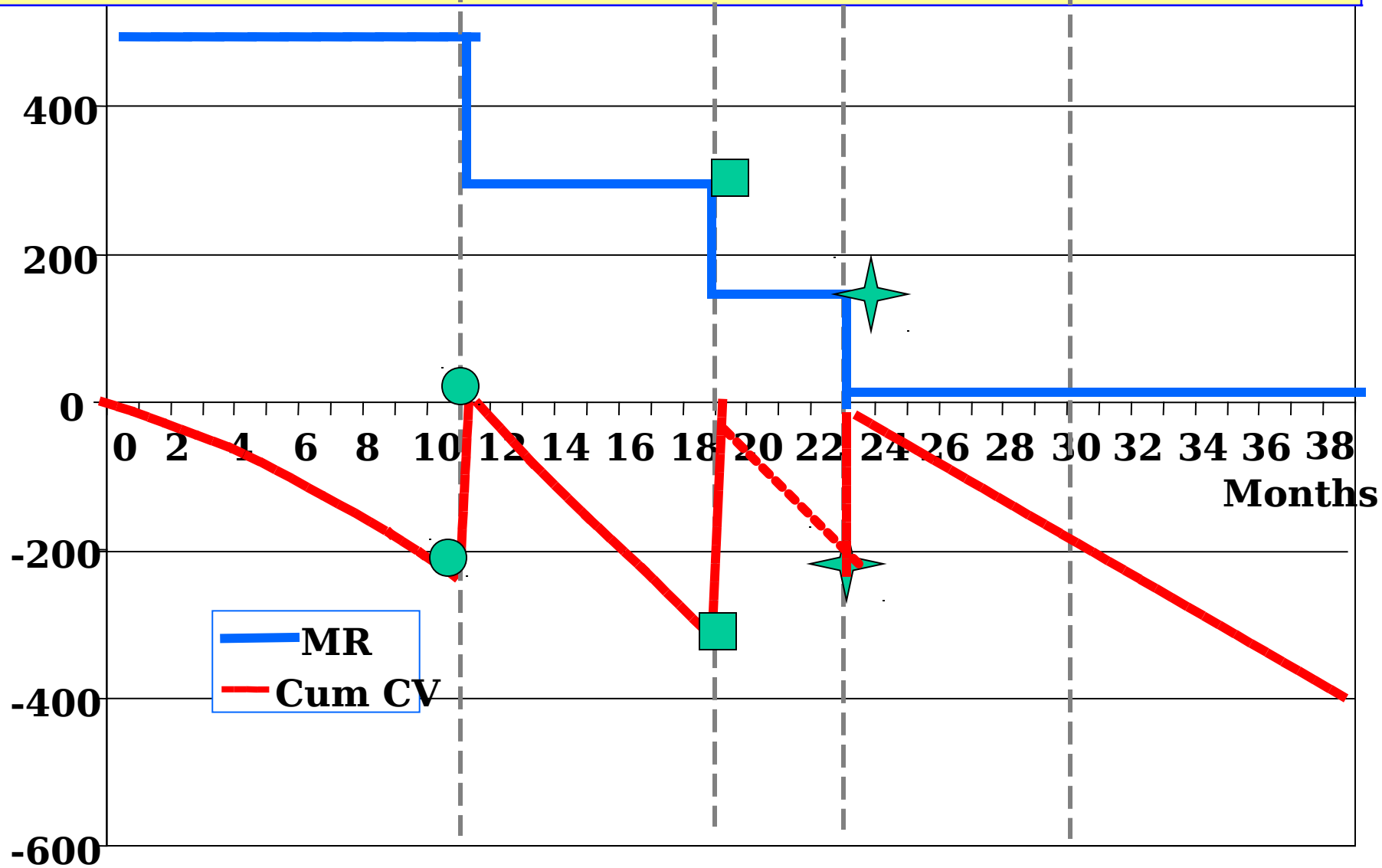
Inappropriate PMB Changes - Rubber Baseline

Legend:
- BCWS
- Rubber
- ACWP

20

Rubber Baseline Cost Variance Chart

Legend:
- Cum CV
- RB Cum CV

Y-axis (values): 200, 0, -200, -400, -600, -800, -1000, -1200

X-axis (Months): 0, 2, 4, 6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 26, 28, 30, 32, 34, 36, 38

21

Rubber Baseline Scenario

MR

Revised PMB

Projected Actual Cost

Original PMB

ACWP

BCWP

	BCWS
	Rubber
	ACWP

1
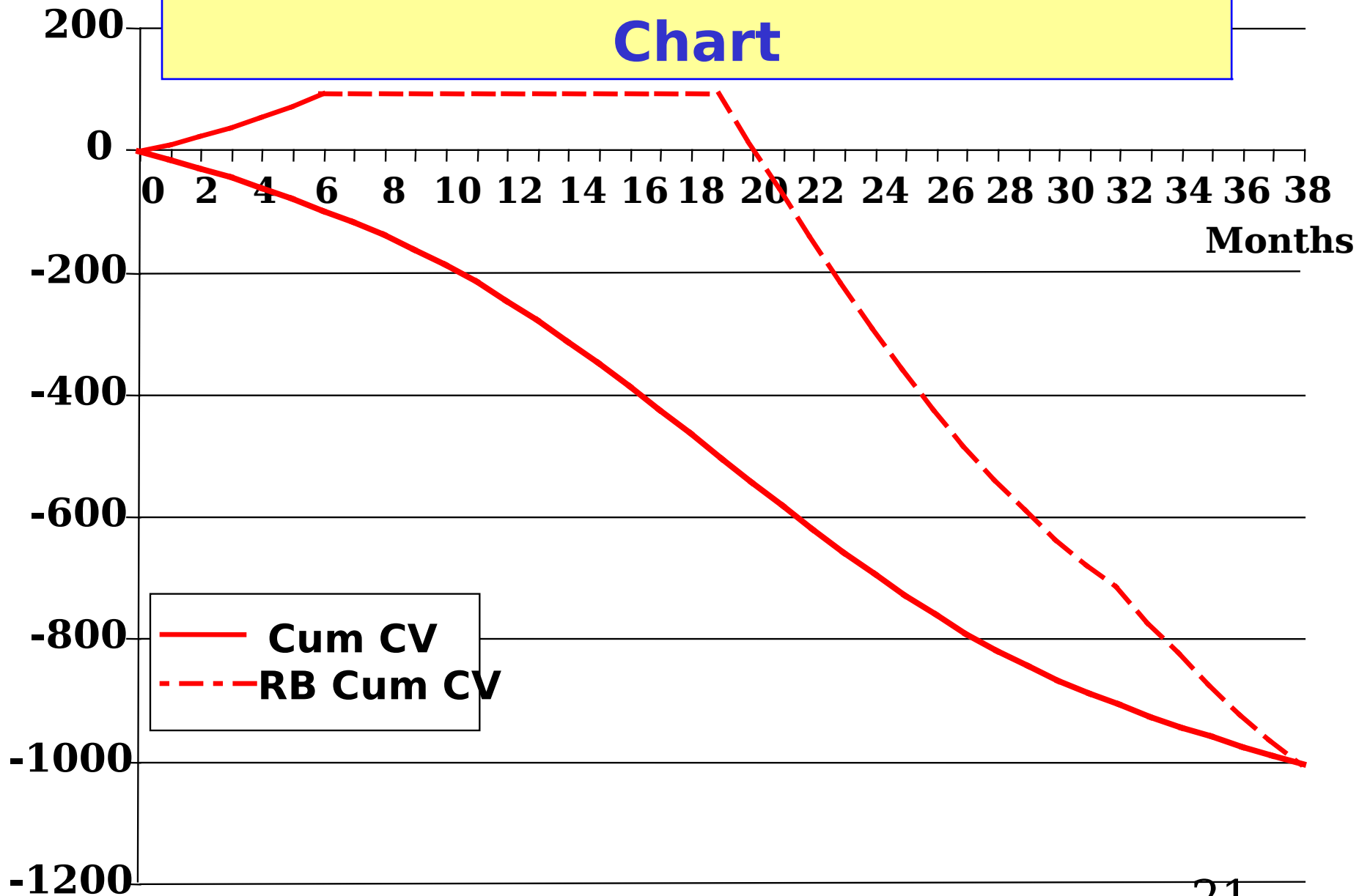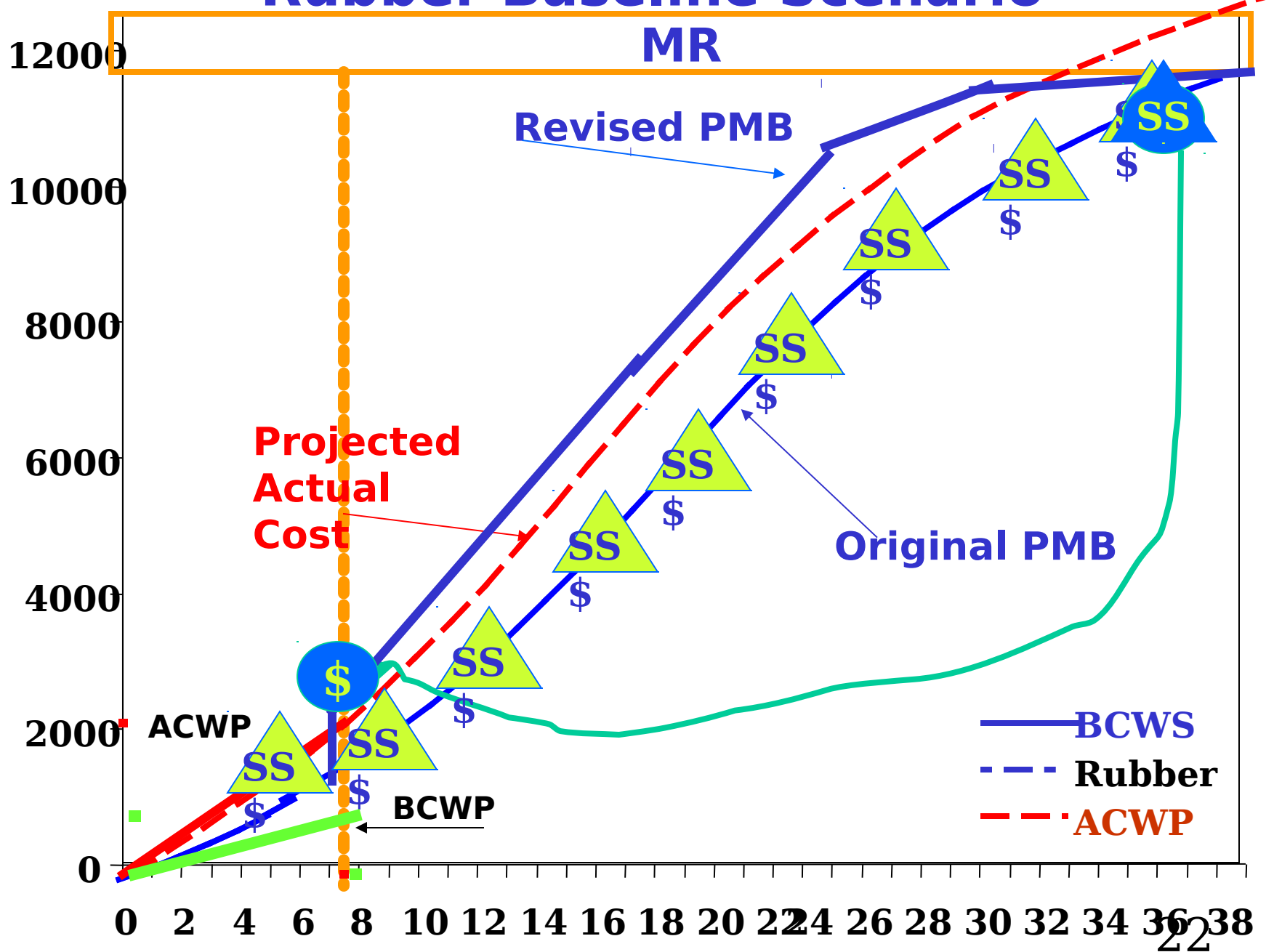
22

Rubber Baseline Scenario

Actual Cost

MR

Revised PMB

Original PMB

SS $

BCWS
Rubber
ACWP
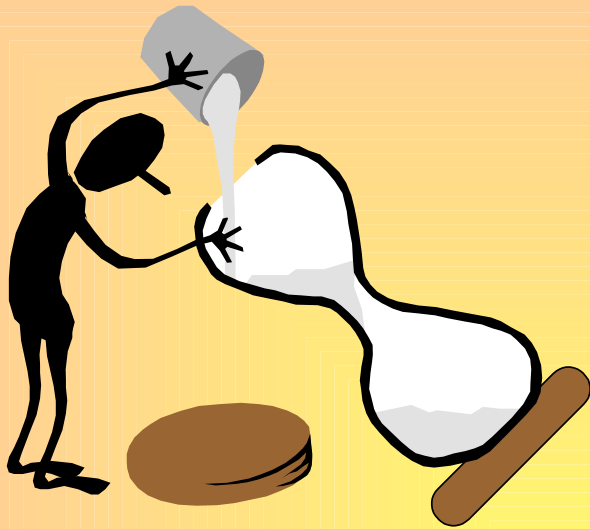
Rubber Baseline Scenario
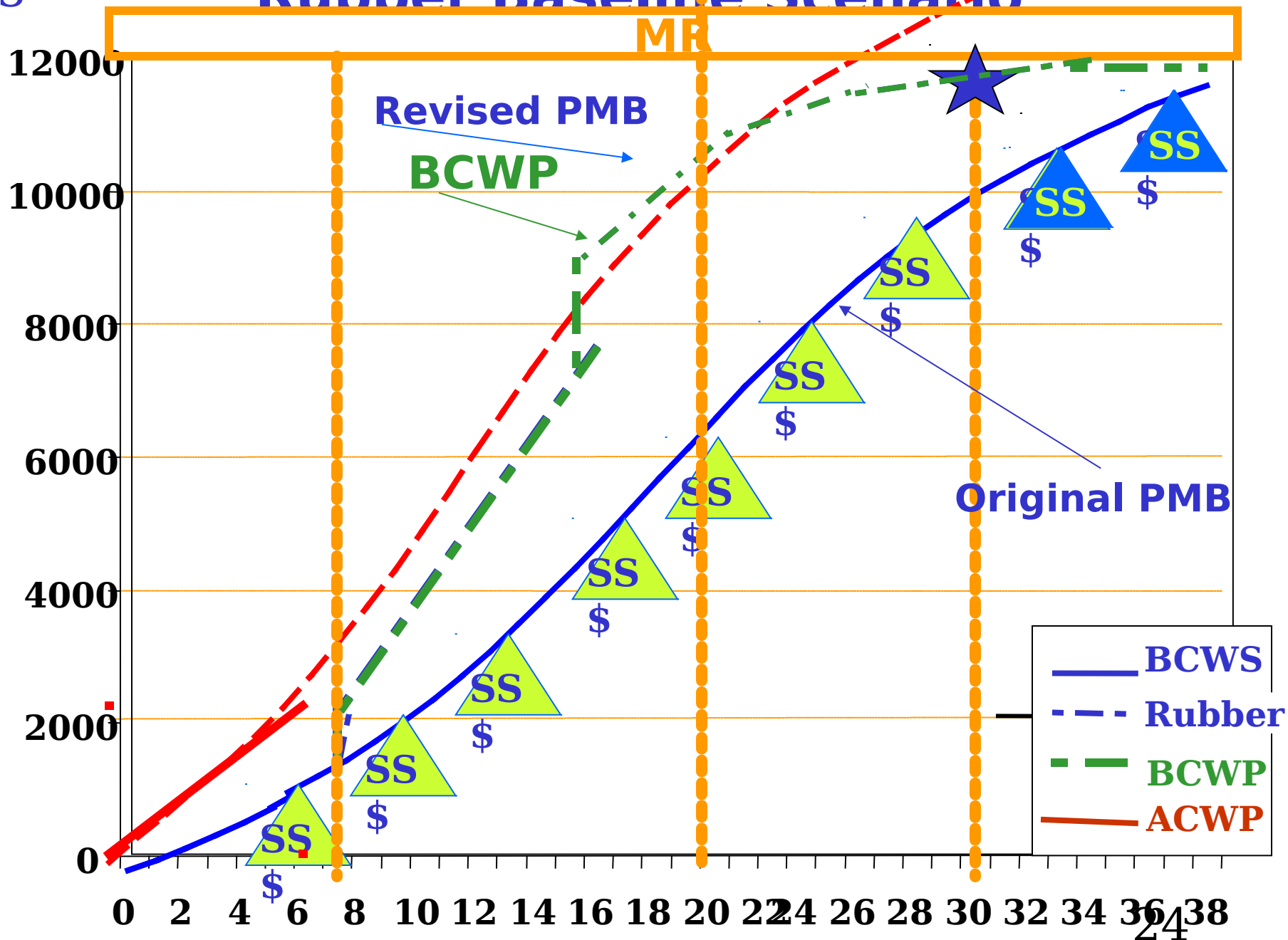
OVER TARGET BASELINE (FORMAL REPROGRAMMING)

25

Over Target Baseline PMB

TAB

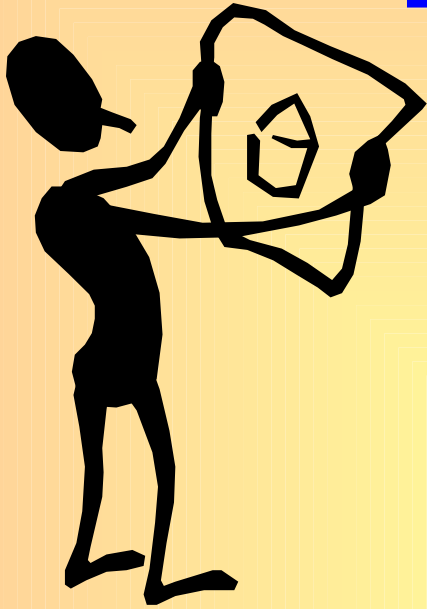CTC=CBE

Time 1

Month

26

Legend:
- TAB
- BCWS
- BCWS-1
- ACWP
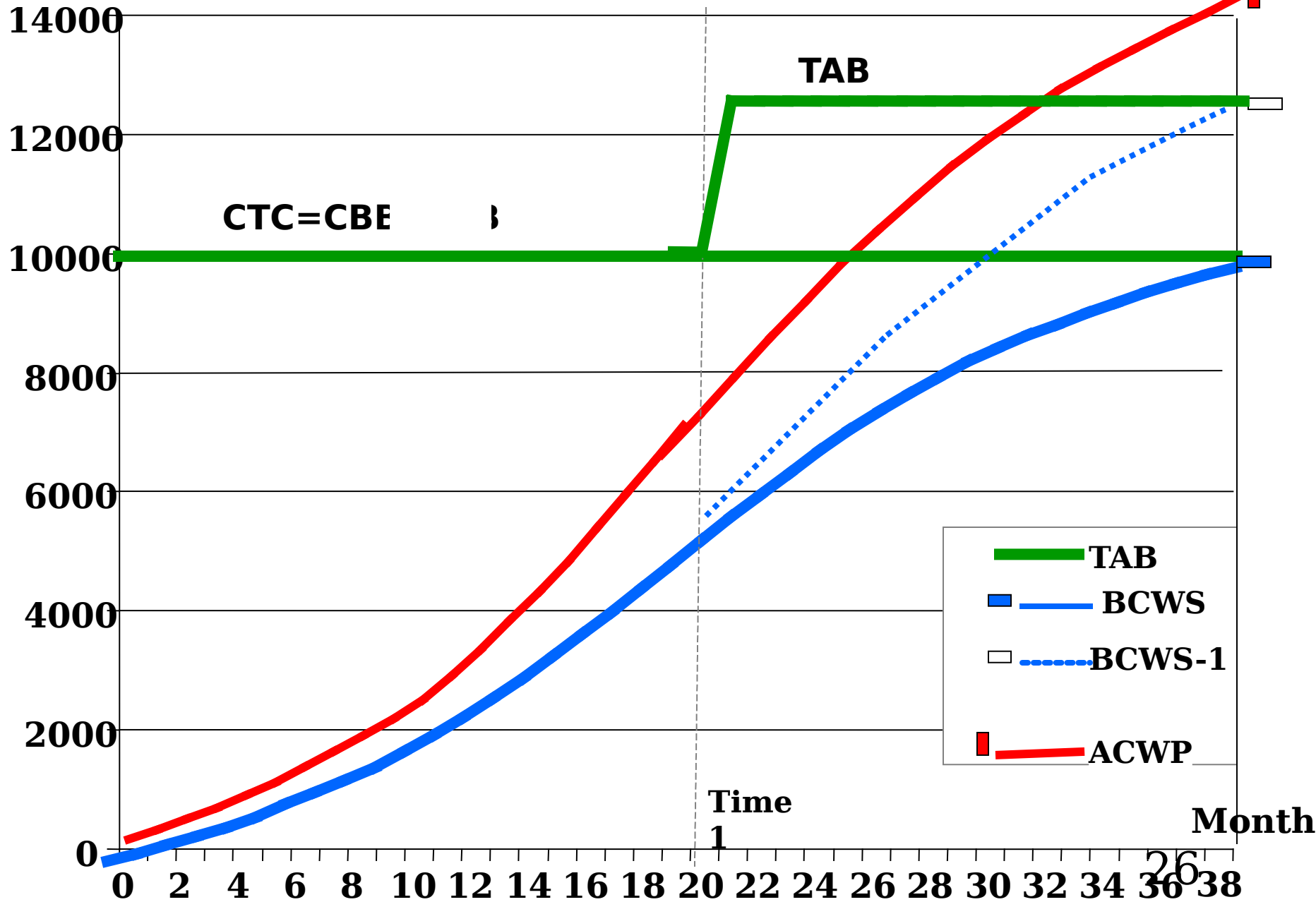
Effect of Over Target Baseline on CV

27
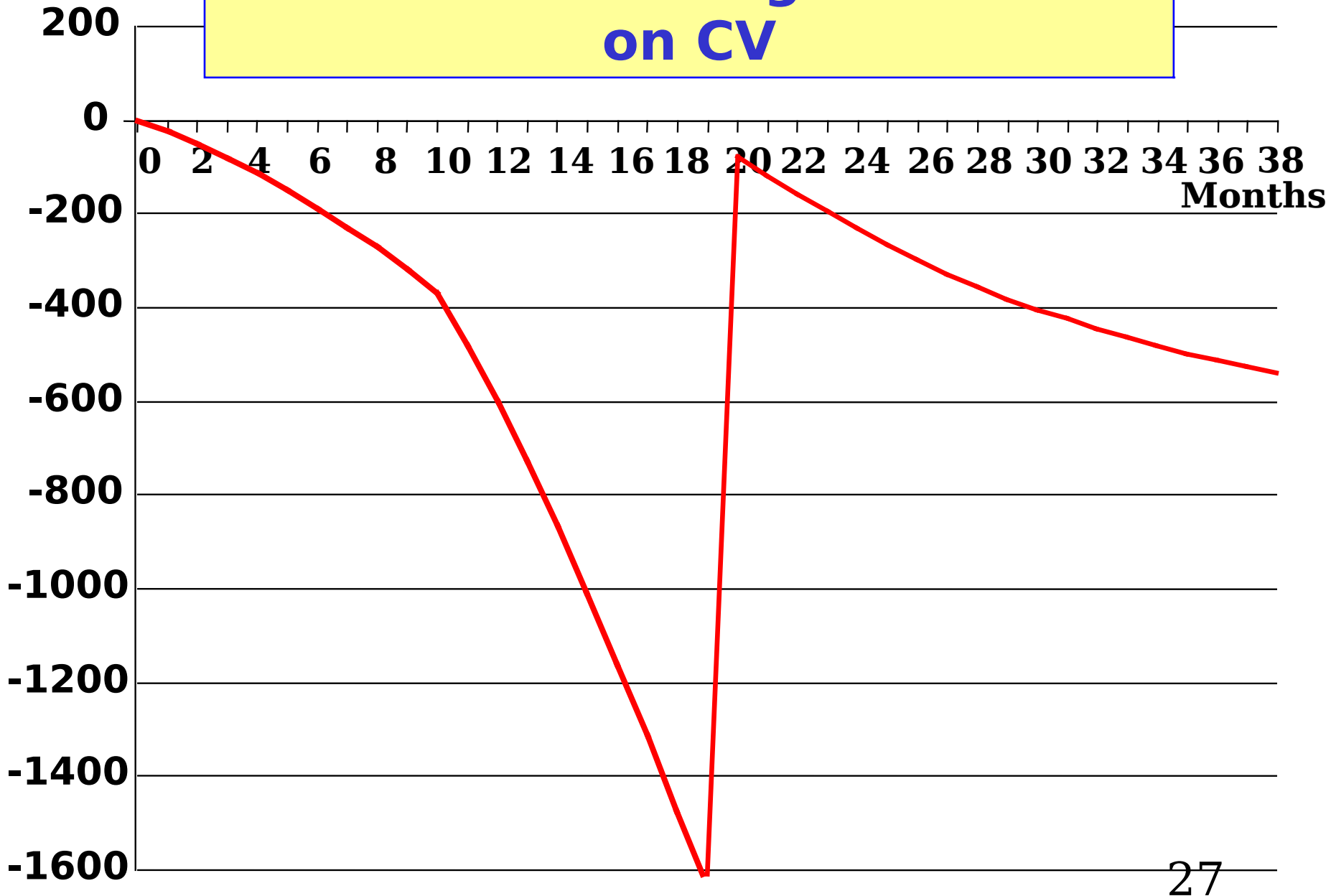
Extremes of PMB Controls

Maintaining a rigid baseline that cannot be changed,

And allowing the baseline to change whenever variances are imminent.

The Relevancy of PMB Changes

- The original PMB and subsequent changes must support program goals, objectives, and milestones.
- Baseline integrity must be maintained through any changes - SS$
- Changes must be made in a timely manner
- Current budgets must reconcile with prior budgets
- Control and obtain approval for retroactive changes
- Document all changes - Budget Baseline Log, etc.
- Is the PMB executable?